

Exhibit No.: 016
Issue: PGA/ACA Process; GSIP; Natural
Gas Storage Inventory, OSS,
Tariff; RSM.
Witness: Scott A. Weitzel
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Laclede Gas Company (LAC)
Missouri Gas Energy (MGE)
Case Nos. GR-2017-0215
GR-2017-0216
Date Testimony
Prepared: October 17, 2017

LACLEDE GAS COMPANY
MISSOURI GAS ENERGY

GR-2017-0215
GR-2017-0216

REBUTTAL TESTIMONY

OF

SCOTT A. WEITZEL

October 2017

Laclede Exhibit No. 016
Date 12-15-17 Reporter AE
File No. GR-2017-0215 GR-2017-0216

TABLE OF CONTENTS

PURPOSE OF TESTIMONY	1
PGA/ACA TARIFF	2
STANDARDS OF CONDUCT AND PGA	2
GAS SUPPLY INCENTIVE PLAN	3
OFF SYSTEM SALES	5
GAS INVENTORY CARRYING COST RECOVERY	5
RSM TARIFF	6

1 **REBUTTAL TESTIMONY OF SCOTT A. WEITZEL**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Scott A. Weitzel and my business address is 700 Market Street, St.
4 Louis, Missouri 63101.

5 **Q. ARE YOU THE SAME SCOTT A. WEITZEL WHO PREVIOUSLY FILED**
6 **DIRECT TESTIMONY IN THIS PROCEEDING?**

7 A. Yes, I submitted direct testimony on behalf of both Laclede Gas Company
8 ("LAC") in Case No. GR-2017-0215 and Missouri Gas Energy ("MGE") in Case
9 No. GR-2017-0216.

10 **I. PURPOSE OF TESTIMONY**

11 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
12 **PROCEEDING?**

13 A. The purpose of my rebuttal testimony is to respond to the issues raised and
14 positions taken by witnesses for the Staff of the Missouri Public Service
15 Commission ("Staff"), the Office of the Public Counsel ("OPC"), and other
16 parties in their direct testimony relating to the various tariff proposals made by
17 LAC and MGE in these cases. First, I will address those issues that have been
18 raised in connection with the Purchased Gas Adjustment/Actual Cost Adjustment
19 (PGA/ACA) clause. Second, I will respond to the testimony submitted on Gas
20 Inventory Carrying Cost Recovery (GICCR) and treatment of storage inventory. I
21 will also address testimony specific to our Gas Supply Incentive Plan and Off-
22 System Sales and Capacity Release Mechanism. I will also identify those tariff
23 proposals where certain parties have expressed a willingness to consider the

1 Company's recommendations, such as the Company's proposal to implement a
2 revenue stabilization mechanism ("RSM") and provide the Company's response
3 to their suggestions.

4 **II. PGA/ACA TARIFF**

5 **STANDARDS OF CONDUCT AND PGA**

6 **Q. WHAT AREAS DOES THE ENVIRONMENTAL DEFENSE FUND**
7 **ADDRESS RELATED TO THE PGA/ACA TARIFF?**

8 A. The Environmental Defense Fund (EDF) witness Mr. Gregory Lander is
9 proposing that the Commission radically change the PGA/ACA clause policies
10 and procedures. EDF also recommends that the Commission modify
11 LAC's/MGE's Gas Supply and Transportation Standards of Conduct. Mr. Lander
12 also addresses other basic PGA matters.

13 **Q. DOES LAC/MGE AGREE WITH THE RECOMMENDATIONS**
14 **PROPOSED BY MR. LANDERS RELATED TO THE PGA/ACA TARIFF?**

15 A. No. First, I believe it is abundantly clear that EDF is raising these issues as part
16 of its overall strategy to minimize the construction of new natural gas pipeline
17 facilities. EDF has raised these concerns in opposing the construction of the Spire
18 STL Pipeline that would bring additional supply options and reliability to the
19 Company and end use customers in the St. Louis area. It is now attempting in this
20 proceeding to further obstruct the completion of that pipeline by proposing
21 revisions to the Company's PGA/ACA mechanism that would make it difficult, if
22 not impossible, for the Company to take service from that pipeline. The
23 Company does not believe the Commission should be conscripted into an effort

1 that is designed to satisfy an agenda that will only harm the Company's customers
2 over the long-term. Second, as opposed to concrete revenue issues raised by LAC
3 and MGE that pertain to gas supply matters, EDF has raised issues that go to the
4 heart of how the PGA/ACA process should be structured – issues that do not
5 belong in a general rate case. The two major natural gas rate cases that the
6 Commission will be hearing in December and deciding in January, are not the
7 appropriate places to reconsider the PGA/ACA clause. Even if we decided to
8 perform a substantial review of the PGA/ACA clause, the parties who would be
9 interested in such a review (namely the other LDCs in the state) have not been
10 given notice and an opportunity to intervene in these cases. Nor has the
11 Commission held the workshops or other technical conferences on PGA/ACA
12 issues that would include all interested stakeholders. Neither LAC nor MGE
13 believe that any such review is warranted, but in the event the Commission
14 decides to review the PGA/ACA clause in this case, LAC and MGE oppose
15 EDF's radical changes to a process that has worked well in Missouri for many
16 decades.

17 **GAS SUPPLY INCENTIVE PLAN**

18 **Q. WHAT IS YOUR UNDERSTANDING OF THE OPC'S PROPOSAL**
19 **RELATED TO LAC'S GAS SUPPLY INCENTIVE PLAN (GSIP)?**

20 A. OPC recommends eliminating the GSIP currently in effect for LAC and is silent
21 on implementing a similar GSIP for MGE. However, if the Commission
22 determines the GSIP is appropriate for both LAC and MGE, then OPC
23 recommends that tiers and caps need to remain in place so that the Company does

1 not stand to benefit when prices are such that incentives only benefit the
2 Company. OPC states that reviving the GSIP could be entertained in the
3 Company's next general rate case. (Riley Direct, pp. 3-5).

4 **Q. HOW DOES THE COMPANY RESPOND TO THIS**
5 **RECOMMENDATION?**

6 A. The Company believes that the GSIP is good regulatory policy. It provides
7 motivation for the Company to try to reduce gas costs below an expected level, by
8 providing the Company a small share of the savings (10%, up to a cap of \$3
9 million) if the Company achieves that goal. OPC obviously thought it was good
10 policy in 2002 when it proposed essentially the same GSIP that remains in place
11 today. The main weakness in the GSIP, however, is that it removes incentives
12 when gas prices are below \$4.00 per mcf or above \$8.99 per mcf. This does not
13 make sense, since a dollar saved is a dollar saved regardless of the level of gas
14 prices. A dollar saved in gas cost has the same impact as a dollar saved in
15 distribution cost, a factor that should lead OPC to be as aggressive in providing
16 gas saving incentives as it is in seeking to lower distribution rates. The incentive
17 should apply in any perceived market environment. The arbitrary \$4.00 pricing
18 tier limit has been especially consequential over the past several years, because
19 the shale revolution has caused gas prices to be persistently below the \$4.00
20 threshold. This has removed any meaningful incentive for the Company to
21 perform better than expected. Finally, as GSIPs are not part of base rates, the
22 Company believes it would be appropriate to work with Staff, OPC and other

1 interested stakeholders outside the context of this rate case to modernize and
2 update the GSIP.

3 **OFF SYSTEM SALES**

4 **Q. WHAT IS YOUR UNDERSTANDING OF OPC'S POSITION ON OSS/CR?**

5 A. It is my understanding that OPC believes the Company's share should be reduced
6 to 5%, because that is the percentage afforded to electric companies employing a
7 Fuel Adjustment Clause ("FAC"). (Riley Direct, pp. 5-7).

8 **Q. DOES THE COMPANY AGREE WITH OPC'S PROPOSAL?**

9 A. No. The FAC for electric companies has evolved in a much different time and
10 manner than the gas companies' OSS/CR clauses. The FAC was designed for
11 specific electric utility needs. Simply taking portions from other industry riders
12 and applying it to a tariff under which Laclede has been operating for many years
13 is not appropriate. The Company can warrant that a proposal that effectively
14 maintains current sharing percentages will also maintain current incentives to
15 achieve. The Company can also predict that reducing its sharing percentage by
16 80% (from 25% to 5%) will correspondingly reduce that incentive.

17 **GAS INVENTORY CARRYING COST RECOVERY**

18 **Q. WHAT IS YOUR UNDERSTANDING OF STAFF'S POSITION ON
19 NATURAL GAS AND PROPANE INVENTORIES?**

20 A. Staff witness Lisa Ferguson included natural gas storage and propane inventory in
21 rate base. (Staff Cost of Service Report, p. 60-61).

22 **Q. WHAT IS THE COMPANY'S RESPONSE TO STAFF'S POSITION?**

1 A. The Company agrees with Staff that the Company should include storage gas
2 inventories in rate base; however, the propane facilities will be replaced with the
3 change in LAC's gas supply portfolio at some point in the near future, so we did
4 not consider these to be long-term assets and have not proposed to change the
5 treatment of propane.

6 **Q. WHAT IS YOUR UNDERSTANDING OF THE OPC'S POSITION ON**
7 **GAS INVENTORY CARRYING COSTS?**

8 A. OPC witness John Riley opposed including natural gas storage costs in rate base.
9 (Riley Direct, p. 7).

10 **Q. WHAT IS THE COMPANY'S RESPONSE TO OPC'S POSITION?**

11 A. The Company agrees with Staff that the Company should include storage gas
12 inventories in rate base. MGE has historically included its natural gas inventories
13 in rate base. Staff noted that, in addition, "all other Missouri LDCs have used the
14 'rate base' approach to recover carrying costs associated with gas inventory in
15 their Missouri jurisdictions" (Staff COS Report, p. 63). That does not mean, of
16 course, that LAC's existing treatment of this cost is inappropriate. On balance,
17 however, we believe that this issue should be treated the same for both MGE and
18 LAC and that MGE's approach represents the better alternative.

19 **III. RSM TARIFF**

20 **Q. THE NATIONAL HOUSING TRUST ("NHT") WITNESS ANNIKA LYNN**
21 **BRINK EXPRESSED NHT'S SUPPORT OF THE COMPANY'S**
22 **REVENUE STABILIZATION MECHANISM ("RSM") (BRINK DIRECT,**
23 **P. 9). DO YOU HAVE ANY COMMENT?**

1 A. Yes, the Company appreciates NHT's acknowledging the link between energy
2 efficiency ("EE") programs and revenue stabilization. NHT understands that,
3 where a portion of the Company's revenues are based on usage, the Company
4 cannot be expected to support a robust portfolio of EE programs intended to
5 reduce that usage without a mechanism that protects the Company from being
6 penalized. A utility can "decouple" the relationship between usage and revenues
7 by raising its customer charge. However, NHT, OPC and others prefer lower
8 customer charges (which corresponds to higher usage charges) as a means to
9 further incentivize customers to conserve their energy use. An RSM allows the
10 Company to support these social policy initiatives without harming itself. At
11 local public hearings in these cases, the attendees repeatedly heard customers
12 voice their support for lower customer charges. In the end, the Commission can
13 bolster EE programs, satisfy conservation and consumer groups' desire for lower
14 customer charges, and treat both customers and the Company fairly by approving
15 an RSM.

16 **Q. THE DIVISION OF ENERGY WITNESS MARTIN HYMAN ALSO**
17 **CONDITIONALLY ENDORSED THE USE OF AN RSM (HYMAN**
18 **DIRECT, P. 7). DO YOU HAVE ANY COMMENTS?**

19 A. Yes. For the reasons stated above, the Company appreciates the support of Mr.
20 Hyman on RSM, and the Division of Energy's conditional support (or non-
21 opposition) to its adoption by the Commission. We look forward to working with
22 them and the other parties to advance these important goals.

1 **Q. DID ANY PARTIES RAISE CONCERNS REGARDING HOW THE**
2 **REVENUE STABILIZATION MECHANISM (“RSM”) BEING PROPOSED**
3 **BY THE COMPANY IN THESE CASES WOULD WORK?**

4 A. No. While at least one party expressed support for the RSM in its direct
5 testimony as part of an overall package of energy efficiency enhancements, no
6 other party addressed either the merits of the RSM or the technical manner in
7 which it would operate. Accordingly, I will simply reserve my right to respond in
8 surrebuttal testimony should such issues be raised in the rebuttal testimony of
9 other parties.

10 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

11 A. Yes, it does.

